



The State of New Hampshire
Department of Environmental Services



Michael P. Nolin
Commissioner

February 14, 2006

The Honorable Bob Odell
Chairman, Senate Energy and Economic Development Committee
Room 102
Legislative Office Building
Concord, NH 03301

Re: Senate Bill 314 relative to establishing minimum renewable standards for energy portfolios.

Dear Chairman Odell and Members of the Committee:

The Department of Environmental Services (DES) is pleased to offer testimony in support of proposed Senate Bill 314, which seeks to establish standards requiring the use of renewable energy resources by providers of electricity for sale to retail customers in New Hampshire. The proposed language of SB 314 is the result of a stakeholder process that included electric utilities, renewable energy producers (hydroelectric, solar, biomass, etc.), environmental interests, and implementing regulatory agencies. DES believes the language strikes a compromise which all stakeholders can support.

Implementing a renewable portfolio standard (RPS) for New Hampshire is good energy policy, and makes good sense both economically and environmentally. It will contribute to long term energy price stability, diversify energy sources, and create new energy technology jobs and further economic development in New Hampshire, while reducing reliance on imported energy and avoiding associated price spikes. An RPS will also additionally incentivize renewable energy infrastructure investment, keeping New Hampshire energy investment dollars in New Hampshire. This legislation, through the market signals it sends, will begin the process of creating a long term energy "insurance policy" for New Hampshire energy ratepayers.

It is also important for the committee to consider that similar RPS legislation has been adopted in all other Northeast states, including NY, CT, RI, MA, VT, and ME. New Hampshire based electric utilities will, in some cases, be purchasing energy that is provided by renewable energy producers operating under these other similar provisions. New Hampshire ratepayers should be able to benefit from being able to purchase energy from in state producers who can trade energy on a level playing field.

Committee members have concerns with this legislation, given the history of renewable energy incentive regulation in the state, in particular the Public Utilities Regulatory Policy Act (PURPA) in

the '70s. However, there are significant differences in SB 314 as proposed and PURPA that will protect ratepayers. At the time PURPA was enacted, the state mandated the purchasing of power from small power producers (SPPs) at rates that appeared reasonable given what was happening to energy costs in the 1970s. Long-term agreements to purchase power at set rates were entered into at that time. Although these rate contracts are now due to expire, PSNH has been obligated to purchase power from SPPs even though the rates paid to these producers are significantly higher than the current market prices.

SB 314 will ensure that ratepayers will not be burdened with long term rate increases by a variety of mechanisms, including the following:

- The SB 314 RPS will be implemented in a competitive market, where consumer choice (as opposed to long term contracts) will dictate energy sources and rates.
- The RPS slowly ramps up to a relatively small percentage of a retail power supplier's requirements (again under a competitive marketplace), thus minimizing any impact.
- RPS purchases are driven by competitive markets in both electricity rates and renewable certificates.
- The RPS buyer has flexibility to purchase both electricity and certificates from a single project supplier, or purchase New England Independent Service Operator (ISO/NE) certificates.

Under a competitive market, consumers are free to purchase electricity only from producers who have invested wisely and produce energy at a competitive rate. This is in direct opposition to the historical situation created by PURPA, where long term contracts at high rates were supported by a regulatory approach.

SB 314 presents a reasonable compromise approach to incentivizing less polluting renewable energy that hopefully addresses all significant stakeholder concerns. It will provide a competitive environment for consumers to choose to displace older dirtier technologies, send a market signal to investors in renewable energy projects, while also safeguarding long term energy rates.

Should you require further information or assistance please do not hesitate to contact Robert R. Scott, Director, Air Resources Division (271-1088, rscott@des.state.nh.us).

Sincerely,


Michael P. Nolin
Commissioner

cc: SB 314 sponsors